

## Message Text

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ACTION AF-08

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

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FM AMEMBASSY LAGOS

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LIMITED OFFICIAL USE LAGOS 9388

E. O. 11652: N/A

TAGS: PFOR, ECON, EINV, NI

SUBJ: NIGERIAN INDIGENIZATION: BANKS START NEGOTIATIONS

REF : LAGOS 8863

1. INDIGENIZATION NEGOTIATIONS BETWEEN FMG AND BANKS BEGAN ON AUGUST 11 WITH UBA MEETING GOVERNMENT REPRESENTATIVES. UBA'S APPROACH IS TO LET TEAM FROM HOME OFFICE (BANQUE NATIONAL DE PARIS) HANDLE ALL NEGOTIATIONS. AS BANK IS ALREADY 49 PERCENT OWNED BY NIGERIANS, WE DO NOT EXPECT MAJOR CONFRONTATION. BANK OF AMERICA'S SESSION TAKES PLACE IN COMING WEEK, BUT FIRST MEETING WITH A MERCHANT BANK WILL BE WITH CITIBANK ON AUGUST 24 FOLLOWED BY FIRST NATIONAL CHICAGO ON AUGUST 30.

2. FMG OFFICIALS HAVE CATEGORICALLY DENIED RUMORS THAT NEGOTIATION PERIOD WOULD BE EXTENDED AFTER SEPTEMBER 30. AT THE SAME TIME THEY HAVE STATED THAT 60 PERCENT EQUITY WILL BE "NIGERIAN OWNED, NOT NECESSARILY GOVERNMENT OWNED".

3. CITIBANK MANAGING DIRECTOR BELLOWS, IN DISCUSSION WITH EMBOFFS, GAVE A THREE-PART RESPONSE TO NIGERIAN ALLEGATIONS  
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THAT FOREIGN MERCHANT BANKS HAD FAILED TO PROVIDE PROMISED

MEDIUM AND LONG-TERM FINANCING TO THE BENEFIT OF NIGERIA'S  
ECONOMIC DEVELOPMENT: (A) IT TAKES TIME TO BUILD A LONG-  
TERM PORTFOLIO; A BANK MUST DEVELOP KNOWLEDGE OF ITS CLIENTS;  
(B) FINDING SOURCES OF LONG-TERM FUNDING HAS BEEN MORE  
DIFFICULT THAN EXPECTED, THE BANKS HAVING TO RELY ON FUNDS  
FROM WITHIN NIGERIA RATHER THAN ON MONEY FLOWS FROM ABROAD;  
(C) MUCH TOUTED BIG DEVELOPMENT PROJECTS HAVEN'T GOT OFF  
THE DRAWING BOARD BECAUSE OF POLITICAL SHAKE-UPS, BUREAUCRATIC  
CONFUSION AND SCARCITY OF COMPETENT MANAGERS TO IMPLEMENT  
DIRECTIVES OF NATIONAL PLAN.  
CAHILL

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## Message Attributes

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